

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 SEC-03 NSC-07

SS-20 STR-08 CEA-02 L-03 PA-04 PRS-01 USIA-15 DRC-01

/177 W

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P R 101639Z APR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 4266

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS ROME 5078 SECTION 1 OF 2

E.O. 11652 N/A

TAGS: EFIN, IT

SUBJ: NEW ECONOMIC MEASURES: DIVIDEND AND INTEREST WITH-
HOLDING TAX; SECURITIES MARKET REFORM; HIGHER PERSONAL
TAX EXEMPTION; CASSA FINANCING

1. ON APRIL 9 THE GOI COUNCIL OF MINISTERS APPROVED SEVERAL
ECONOMIC MEASURES PROVIDING FOR (A) REINSTATEMENT OF AN OPTION
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TO CHOOSE BETWEEN EXISTING 10 PERCENT WITHHOLDING TAX ON ACCOUNT

FOR DIVIDENDS OR FLAT 30 PERCENT TAX ON DIVIDENDS; (B) REDUCTION FROM 30 PERCENT TO 15 PERCENT IN WITHHOLDING TAX APPLICABLE TO INTEREST PAYMENTS TO NON RESIDENTS; (C) CREATION OF SEC-TYPE SECURITIES REGULATORY COMMISSION RESPONSIBLE FOR SUPERVISION OF CERTAIN ACTIVITIES OF CORPORATIONS AND OF OPERATION OF STOCK EXCHANGES; (D) ADDITIONAL FINANCING OF CASSA PER IL MEZZOGIORNO FOR INCREASED INVESTMENTS IN SOUTH FOR 1974-1975 PERIOD OF 1,000 BILLION LIRE; AND (E) EFFECTIVE INCREASE OF TAX-FREE INCOME BASE FOR DEPENDENT WORKERS FROM 840,000 LIRE TO 1,080,000 LIRE. FULL TEXT OF DECREE LAWS OR DRAFT LAWS WHICH STILL SUBJECT TO FINAL APPROVAL BY PARLIAMENT NOT YET AVAILABLE, BUT FOLLOWING ARE MAIN ELEMENTS OF PROPOSED MEASURES:

2. /DIVIDEND AND INTEREST WITHHOLDING TAX./ COUNCIL OF MINISTERS ON APRIL 9 APPROVED DECREE LAW WHICH RE-ADOPTS OPTIONAL "CEDOLARE SECCA" (FLAT WITHHOLDING TAX) ON DIVIDENDS SIMILAR TO OPTIONAL FLAT TAX WHICH WAS IN EFFECT 1964-67. NEW MEASURES TAKE EFFECT IMMEDIATELY AND PERMIT DIVIDEND RECIPIENT TO REQUEST 30 PERCENT FLAT TAX ON DIVIDENDS INSTEAD OF 10 PERCENT WITHHOLDING ON ACCOUNT. (DIVIDENDS PAID TO NON-RESIDENTS ARE ALREADY NORMALLY SUBJECT TO 30 PERCENT FLAT RATE.) WITH RESPECT TO INTEREST PAYMENTS, DECREE LAW REDUCES WITHHOLDING ON PAYMENTS TO NON-RESIDENTS FROM 30 PERCENT TO 15 PERCENT.

3. /REFORM OF SECURITIES. MARKET/. DECREE LAW APPROVED BY COUNCIL OF MINISTERS ALSO CONTAINS PROVISIONS FOR CREATION OF "NATIONAL COMMISSION FOR CORPORATIONS AND THE STOCK EXCHANGE." RESPONSIBILITIES OF COMMISSION WILL BE: (A) TO DETERMINE NORMS TO BE FOLLOWED BY FIRMS IN THEIR PREPARATION OF FINANCIAL STATEMENTS FOR SUBMISSION TO COMMISSION OF FOR PUBLIC USE; (B) TO ASSURE AVAILABILITY OF CERTAIN KINDS OF INFORMATION TO INVESTORS; (C) TO REQUIRE FIRMS TO SUBMIT FINANCIAL REPORTS TO COMMISSION; (D) TO FIX BY NOVEMBER OF EACH YEAR THE STOCK EXCHANGE CALENDAR FOR THE SUCCEEDING YEAR; (E) TO ESTABLISH NORMS FOR TRADING PROCEDURES AND FOR STOCK EXCHANGE MANAGEMENT ALONG WITH ESTABLISHMENT OF FINES AND PENALTIES IN CASES OF VIOLATIONS THEREOF; AND (F) TO REQUIRE FIRMS TO SUBMIT REPORTS TO COMMISSION WHENEVER NEW SHARES ARE OFFERED TO PUBLIC WITH COMMISSION EMPOWERED TO DETERMINE METHOD AND TIMING OF ANNOUNCEMENT OF NEW ISSUE. IN ADDITION TO ABOVE RESPONSIBILITIES;

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COMMISSION WILL BE GIVEN OTHER RESPONSIBILITIES WHEN COMPANY LAW REFORM IS ADOPTED.

4. /REGULATIONS OF SHAREHOLDINGS/. DECREE LAW APPROVED BY COUNCIL OF MINISTERS ALSO IMPOSES REQUIREMENTS THAT: (A) ANY SHAREHOLDER WHOSE HOLDINGS OR ACQUISITIONS OF QUOTED SHARES IN ANY COMPANY AMOUNTS TO 3 PERCENT OR MORE OF THAT COMPANY'S CAPITAL MUST REPORT THIS FACT WITHIN 15 DAYS TO COMPANY

AND TO NATIONAL COMMISSION; (B) ANY COMPANIES WHICH HAVE OR ACQUIRE RECIPROCAL OWNERSHIP IN EACH OTHER IN AMOUNTS MORE THAN 3 PERCENT OF EACH FIRM'S CAPITAL MUST REPORT THIS INFORMATION TO OTHER COMPANY AND TO NATIONAL COMMISSION; (C) ALL COMPANIES WILL BE REQUIRED TO KEEP REGISTER OF PARTICIPATIONS IN OTHER COMPANIES AND TO SHOW SUCH INFORMATION IN THEIR FINANCIAL STATEMENTS; AND (D) OFFICERS AND DIRECTORS OF COMPANIES MUST REPORT TO COMMISSION ALL SHAREHOLDINGS IN THEIR COMPANY, WITH ADDITIONAL REQUIREMENT THAT SAID SHARES SHALL BE NOMINATIVE ISSUES AND SHALL BE DEPOSITED IN BANK. SAID CORPORATE OFFICERS SHALL BE REQUIRED TO REPORT TO COMMISSION ON QUARTERLY BASIS THEIR PURCHASES AND/OR SALES OF EQUITIES AND AMOUNTS PAID OR RECEIVED IN SAID TRANSACTIONS.

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